



Implications of Energy Market Dynamics for the U.S. Agricultural Supply Industry

Presented by

Harry S. Baumes, Ph. D. Managing Director, Agriculture

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What Can We Conclude?

- Energy prices are volatile and have become more so since 2000
- Energy prices oil and natural gas price levels trending upward since 2000
- Prices paid by farmers market prices for "energy" based inputs:
 - i.e., petrochemicals and fertilizers, not as volatile.
 - i.e., fuels and lubricants volatile.



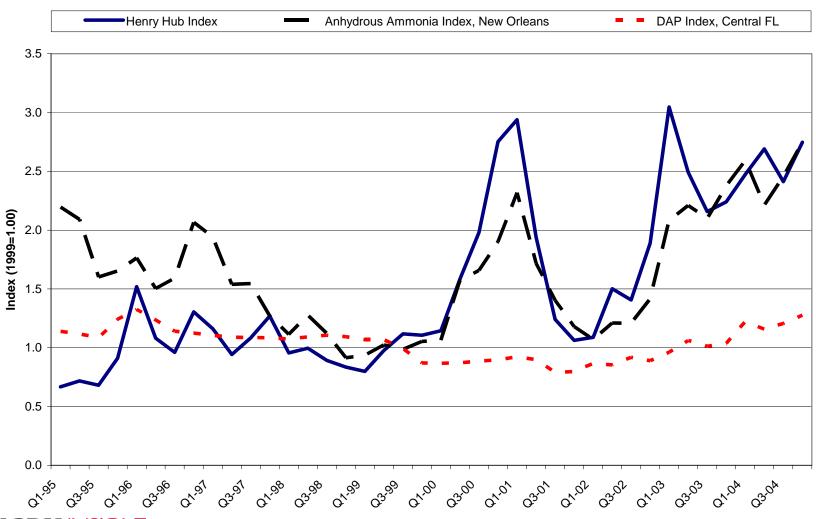
The U.S. Fertilizer Industry

- Energy Dependence
 - Nitrogen (Anhydrous Ammonia)
 - Phosphate (Rock/Acid/Ammoniated Phosphates)
 - Potash (Muriate of Potash)



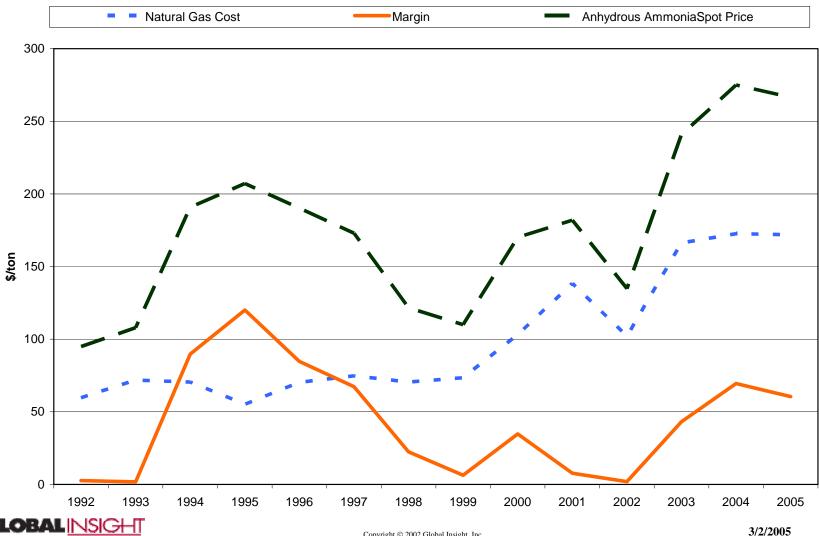
U.S. Fertilizer Producers: Energy Dependence

Price Indices: Levels



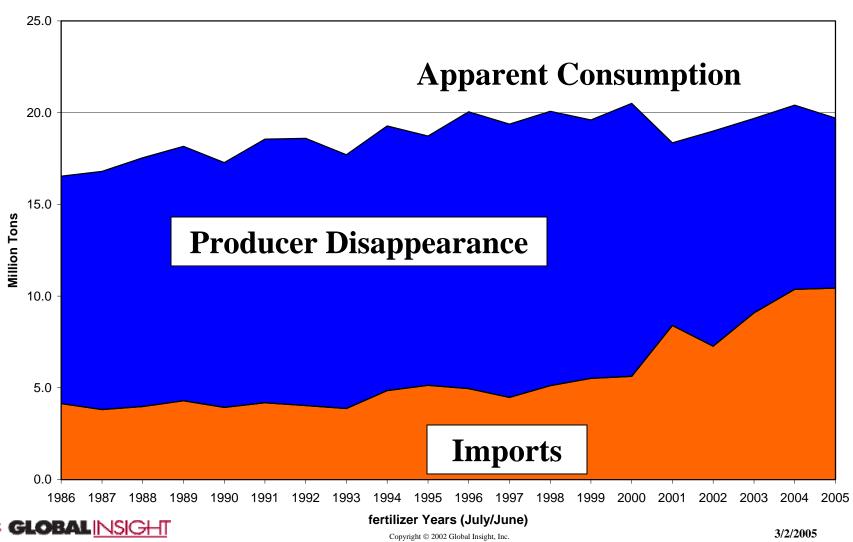
U.S. Fertilizer Market Developments

Natural Gas Costs, Margin, and Anhydrous Ammonia Price



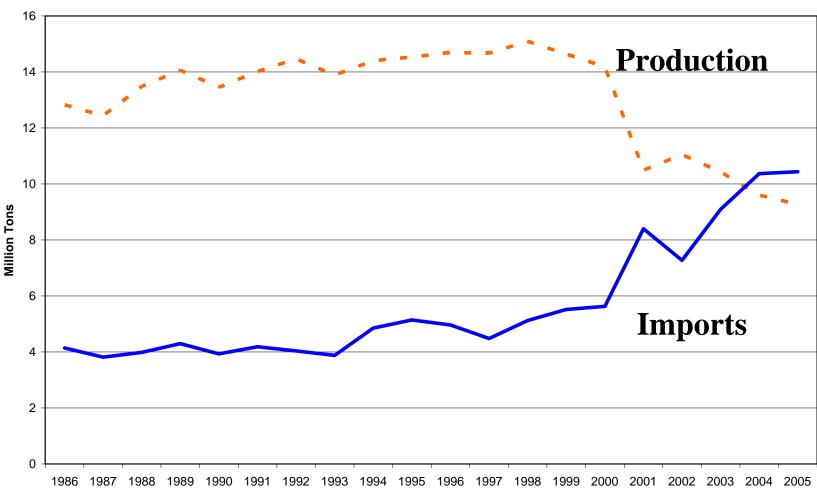
U.S. Fertilizer Market Developments

Nitrogen Consumption



U.S. Fertilizer Market Developments

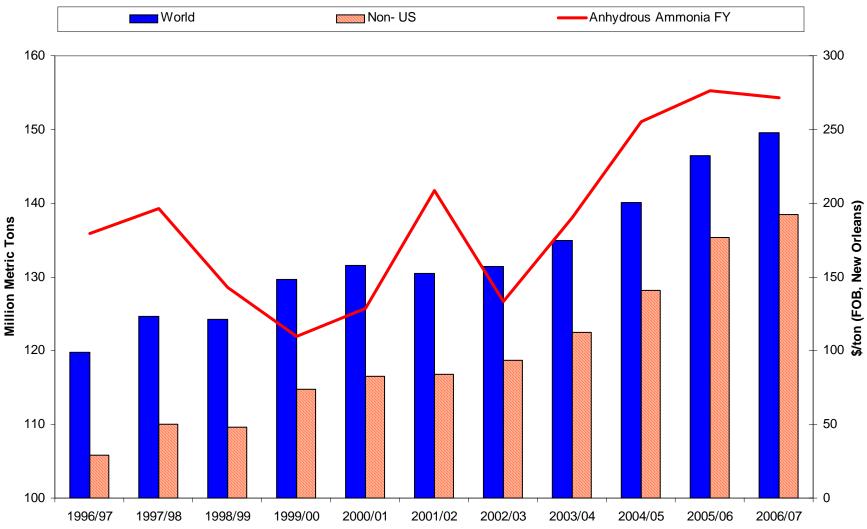
Nitrogen Supplies





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U.S. Fertilizer Market Developments Nitrogen (NH3) Capacity & Price





Conclusions

- Expect energy prices oil and natural gas to remain at high levels and be volatile
- Fertilizer is commodity, no branding
 - U.S. nitrogen producers will remain under price pressures
 - Nitrogen imports remain high
 - Further consolidation and contraction
 - U.S. phosphate producers, sensitive (margins) to volatile energy costs, production adjustments based on export markets



◆ For Further Information Contact:

Harry S. Baumes, Ph. D Managing Director, Agriculture Global Insight, Inc.

Phone: (610) 490-2521

E-mail: harry.baumes@globalinsight.com

